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October 2025

Market Update

(all values as of 09.30.2025)

Stock Indices:

Dow Jones	46,397
S&P 500	6,688
Nasdaq	22,660

Bond Sector Yields:

2 Yr Treasury	3.60%
10 Yr Treasury	4.16%
10 Yr Municipal	2.92%
High Yield	6.56%

YTD Market Returns:

Dow Jones	9.06%
S&P 500	13.72%
Nasdaq	17.34%
MSCI-EAFE	22.34%
MSCI-Europe	24.64%
MSCI-Pacific	17.97%
MSCI-Emg Mkt	25.16%
US Agg Bond	6.13%
US Corp Bond	6.88%
US Gov't Bond	5.93%

Commodity Prices:

Gold	3,882
Silver	46.77
Oil (WTI)	62.52

Currencies:

Dollar / Euro	1.17
Dollar / Pound	1.34
Yen / Dollar	148.71
Canadian /Dollar	0.71

Macro Overview

The Fed's decision to ease rates in September may be perceived as a method to alleviate a slowing economy, not entirely a response to diminishing inflation. Markets carefully follow Federal Reserve decisions as a signal of where the economy is expected to head. Labor market data and economic releases provided by the federal government, which the Federal Reserve and economists rely on, are coming under escalating scrutiny. There is an increasing reliance on labor market data compiled by private companies, not the government, as credibility with the Bureau of Labor Statistics has progressively deteriorated.

The most recent government shutdown is the first in seven years, when the government was shuttered for 35 days between December 22, 2018 and January 25, 2019. Current federal agencies and departments that are currently closed or affected under the shutdown that began October 1, 2025 include the Department of Health, Department of the Interior, Social Security Administration and the IRS.

Inflation as a result of the recently imposed tariffs is coming into question by some analysts and economists, as a large portion of companies are not passing along the cost of tariffs in the form of higher prices. More companies are absorbing tariff costs in order to maintain market share and to compete more favorably.

A growing number of economists are pinning poor job growth and falling productivity as triggers for a looming recession. Job creation leads to rising consumer expenditures as companies produce more and spend more efficiently, none of which is currently occurring.

Consumer financial duress is seeping through to portions of the financial markets. Delinquency rates have been rising over the past few months for auto loans, credit card accounts, and certain mortgages. Many economists are attributing the delinquencies to a weakening jobs markets and minimal wage growth.

As the trade climate has shifted over the past few months, some unintended consequences from the tariffs have emerged. The European Union has begun to assemble new trade agreements with the Philippines, Thailand, and Malaysia that will be effective by 2027, in order to avert the possibility of future tariff challenges with the U.S. Such arrangements leave the U.S. out of future trading opportunities that provide favorable terms for U.S. companies and importers.

U.S. equity markets excelled in the third quarter, as consumer spending kept momentum on track for a positive trending performance. Analysts are increasingly focusing on company earnings and a feeble labor market as the fourth quarter sets in.

The spread or difference between investment grade corporate bond yields and Treasury bond yields hit the smallest difference since 1998 in the 3rd quarter. The spread is essentially the higher yield that investors demand from investment grade corporate debt versus risk free government debt such as Treasury bonds. Analysts believe that the bond market is signaling a gradual decrease in confidence surrounding government debt and an increasing conviction in corporate financial stability. (Sources: Federal Reserve, Treasury, Bloomberg, EuroStat, BLS)

FOREIGN INVESTORS NOW HOLD OVER $18 TRILLION IN U.S. STOCKS

Equity Indices Advance In The 3rd Quarter – Domestic Equity Overview

Stocks were bolstered by recent and expected Fed rate cuts, with a rally broadening from large cap stocks to mid and small cap stocks. Equities brushed off a government shutdown that started on October 1st, leading to partial data releases interruption. Equity indexes posted strong gains in the third quarter which ended September 30th, with all major benchmarks rallying to new highs. The S&P 500 rose by approximately 8.1%, the Dow Jones Industrial Average increased by about 5.7%, the Nasdaq Composite gained 11.4%, and the small-cap Russell 2000 surged 12.4%.

Interest rates have become a primary determinant for the direction of the equity markets, as elevated borrowing costs continue to hinder earnings and capital investment. Investors are awaiting the start of next quarter's earnings season to gauge the impact of tariffs and a slowing labor market on American corporations. (Sources: S&P, Dow Jones, Nasdaq, Federal Reserve, Russell)

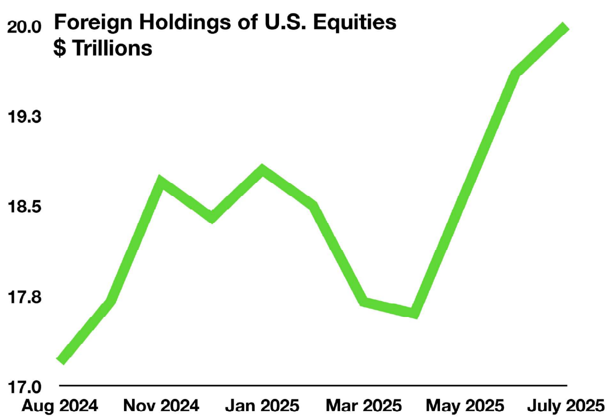
Demand For Treasuries Alter Bond Preferences – Fixed Income Update

The premium that investors demand to hold investment-grade-rated companies' bonds instead of Treasuries hit its lowest level since 1998. Demand for U.S. investment-grade corporate bonds increased in September, as large cap U.S. companies with strong balance sheets sold bonds at elevated prices. Numerous fixed income analysts expect to see a growing demand for corporate debt over Treasury debt as fiscal constraints hinder government debt issuance.

The 10-year Treasury bond closed the quarter with a 4.16% yield, lower than its recent highs. Markets are anticipating that the Fed will cut rates in the months ahead, as markets are placing greater emphasis on weak private sector labor data rather than delayed government statistics from the Department of Labor. (Sources: Treasury Dept, Labor Department)

Foreigners Own Record Amount of U.S. Stocks – Equity Market Dynamics

Foreign purchases of U.S. equities rose to a record in the second quarter of 2025, according to Federal Reserve data, with foreigner investors now holding some $18 trillion in U.S. stocks, accounting for roughly 30% of the $60 trillion U.S. stock market. The current holdings of U.S. stocks by foreigners is the largest on record going back to 1945, according to data compiled by the Federal Reserve.



Analysts believe that a growing number of foreign investors are avoiding U.S. Treasuries and instead buying U.S. corporate bonds and U.S. large cap stocks. The increase in holdings by foreigners is also attributable to increasing equity valuations across all sectors and industries. The transparency and accounting standards of U.S. companies has been a beacon for decades as international investors seek the liquidity and regulated markets of the United States. (Source: Federal Reserve Bank of St. Louis)

AVERAGE MONTHLY PAYMENT FOR A NEW VEHICLE AUTO LOAN IS $749

Protecting Yourself From Identity Theft – Personal Finance

According to the Department of Justice, it is estimated that 24 million Americans will be victims of identity theft in 2025, as scams become increasingly sophisticated using old and new methods powered by technology like artificial intelligence and social engineering, which trick victims into sharing personal information.

Trending Identity Theft Scams:

AI-powered scams: Scammers use generative AI to create realistic phishing (fraudulent) emails, text messages, fake voices, and deepfake videos to impersonate legitimate entities and individuals.
Imposter scams: Criminals pose as government agents, company representatives, or relatives to solicit sensitive information or payments, often using convincing AI-generated assets or manipulated voices.

Telemarketer/tech support scams: Fraudsters call victims pretending to be from a legitimate business or technology support team, asking for passwords or financial information.

Data breach fallout scams: After hacking a company, scammers send fake emails to victims referencing the breach and requesting that they verify or update their details through fictitious links.

Phishing, smishing, and vishing: Victims are tricked via email, text (SMS), or phone calls into sharing personal information or account credentials. New AI tools make these communications seem more authentic.

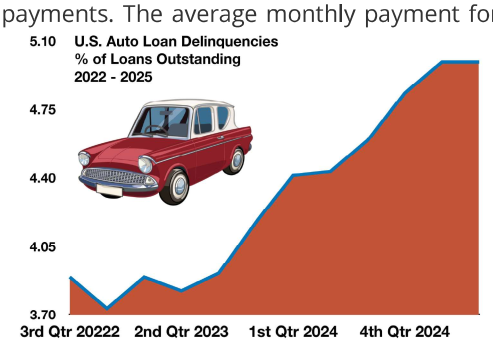
Credit/debit card skimming: Devices installed on ATMs or registers steal card data during legitimate transactions such as at retails stores, restaurants and point of sale (POS) locations.

Medical identity theft: Scammers use stolen personal information to obtain medical services or prescriptions in someone else's name.

Google Voice authentication scam: Criminals create fake buyer personas on marketplaces and trick sellers into revealing the verification codes for their accounts, which are then used to hijack the victims' phone numbers for more scams. (Source: U.S. Department of Justice; September 2025, NCJ 248991)

Consumers Falling Behind On Loan Payments – Consumer Finances

Financial duress among consumers nationwide is starting to appear in certain sectors and casting doubt on the endurance of consumers in the coming months. An increase in delinquencies on various consumer loans including auto loans and credit cards, are starting to divulge how strained some consumers have become. Elevated interest rates and expensive automobiles have laden consumers with large monthly payments. The average monthly payment for a new vehicle auto loan is $749 and $529 for used vehicles according to Federal Reserve economic data. As credit card balances have been increasing so have delinquencies, with a growing number of consumers falling behind on payments. Credit availability has expanded over the past few years as non-traditional private finance companies and lenders, rather than banks, have been lending in markets that for years were dominated by banks. Exposure to delinquencies and defaults has been slowly shifting from banks to non-traditional lenders. (Sources: Federal Reserve Bank of St. Louis)



TOTAL WEALTH HELD BY BABY BOOMERS IS NOW OVER $85 TRILLION

Baby Boomers Have Much More At Stake Today – Demographical Overview

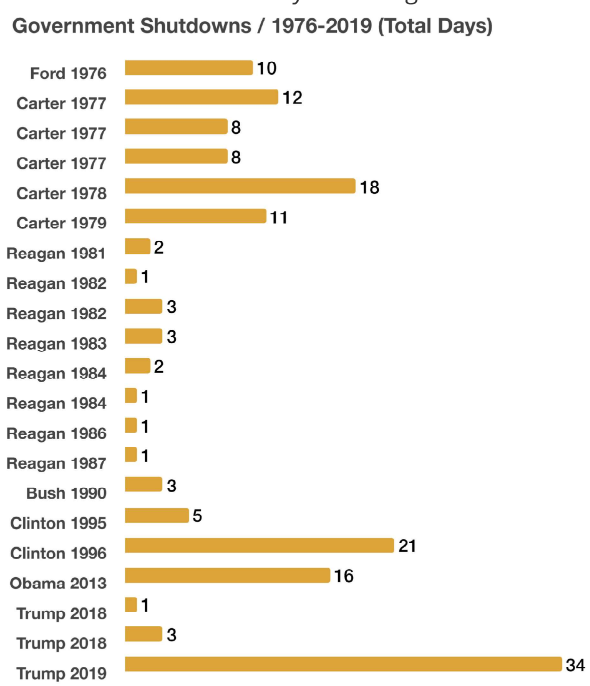
Baby boomers, those of us born between 1946 and 1964, currently hold the largest share of wealth in the U.S. stock market as compared to other age groups. As the biggest investors in stocks, there also comes some risks to the boomers.

The median age of baby boomers is now over 60, not 36 when the internet bubble burst in 2000 or 43 in 2007 when the financial crisis began. Demographically, the boomers have more exposure now than in 2000 and 2007, because at age 60 boomers don't have the time to make up significant market pullbacks as occurred in 2000 and 2008. With over 60% of their financial assets allocated to stocks, more boomers are reallocating some of their stock holdings to bonds in order alleviate risk exposure and market pullbacks.

Total wealth held by baby boomers reached over $85 trillion in the 2nd quarter, which includes stocks, real estate and personal assets. Those born between 1928 and 1945 are known as the Silent generation, which have surpassed their earning years and are mostly spending their remaining wealth on retirement and health care. Millennials, born from 1981 to 1996 are known as more cautious investors, holding higher cash balances and maintaining relatively conservative portfolios compared to Gen X, yet gradually increasing their allocations to equities as their confidence grows and wealth accumulates. (Source: Federal Reserve Bank of St. Louis)

The Common Occurrence Of Government Shutdowns – Fiscal Policy

Government shutdowns have been a common occurrence over the years under most every administration. The length of the shutdowns have varied from 2 days in 1981 under President Reagan, 21 days in 1995 under President Clinton, and 34 days in 2019 under President Trump. A shutdown occurs when Congress fails to pass or the President refuses to sign legislation funding federal government operations and agencies. Estimated costs of the most recent government shutdown are still unknown, with lost wages, exports, and government services essential to the operation of private sector businesses being affected. How much the shutdown may have weighed on the economy may not be known until later in the year.



Government shutdowns entail partial closure of certain agencies and departments, not complete closures. Departments affected during the most recent shut down include Homeland Security, Housing & Urban Development, Commerce, FCC, Coast Guard, FEMA, Interior, Transportation, and the IRS. Federal employees deemed as "essential" among the various departments are required to work without pay until a funding bill is passed by Congress. The closures affect numerous private businesses that rely and adhere to regulatory rules imposed by the Federal government, such as mortgage loans and the IRS. (Sources: Congressional Records)